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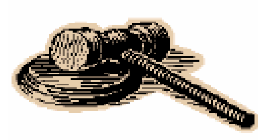

*	Strike-everything Amendment
[E]	Emergency Clause
[P 105]	Proposition 105 Clause
[P 108]	Proposition 108 Clause

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HB 2078 – Chapter 41 – property tax commission; sunset continuation
Retroactive to July 1, 2007, extends the Property Tax Oversight Commission for 10 years.

HB 2079 – Chapter 7 – income tax credit review schedule
Updates the income tax credit review schedule as follows:

- Reschedules the individual income tax credits in 2012 for family income, donations to a private school tuition organization and public school extracurricular activity fees.

- Reschedules the individual and corporate income tax credits in 2012 for school site donations.

HB 2084 – Chapter 112 – income tax credit; other states
Retroactive to January 1, 2002 provides an individual income tax credit for Arizona residents who are also considered residents of another state for taxes paid to the other state.

- Stipulates the credit may only be claimed for the amount of taxes paid on income derived from within the other state.

- Requires refund claims to be filed according to the statute of limitations. Refunds may be filed through December 31, 2011.

HB 2207 – Chapter 117 – county treasurers; property tax collection
Permits the county treasurer to proportionally allocate the taxes due on a property that has been split or consolidated after the tax roll has been delivered.

- Stipulates the total classification, valuation and taxes associated with the new parcel or parcels and the total apportionment of taxes among the taxing districts must be equal to those associated with the original parcel or parcels.

- Eliminates the ability of a mobile homeowner to extend the due date of delinquent taxes acquired by a previous owner for a second year with no interest and penalty.

- Clarifies that the due date extension for delinquent taxes does not apply to permanently affixed mobile homes.

- Allows the delinquent taxes for a mobile home to be identified by either the tax roll identification number or the taxpayer identification number.

HB 2322 – Chapter 225 – *tax credit accountability; motion picture
Provides changes to the motion picture income tax credit as follows:

- Changes the maximum credit amount of $5 million for any one motion picture production.

- Specifies the new caps are: $5 million in 2007; $7 million in 2008; $8 million in 2009 and $9 million in 2010 and subsequent years (if any).

- Changes the amount of credit allowed for any one motion picture production based on costs of production in Arizona as follows:

Current Production Costs / Percent Eligible for Income Tax Credit	New Production Costs / Percent Eligible for Income Tax Credit
$250,000 - $1 M / 10% credit	$250,000 - $1M / 20% credit
$1 M - $3 M / 15% credit	$1M and over / 30% credit
$3 M and over / 20% credit	

- Changes current law requiring that a motion picture production company (MPPC) must incur at least $250,000 for producing one or more motion picture productions and instead requires the expenditure of $250,000 for each motion picture production.

- Requires DOC to apply the pre-approved amount of income tax credits against the aggregate cap in the year in which the application for production is submitted.

- DOC will reallocate any income tax credits that are voluntarily relinquished or that lapse. The reallocated amounts will be assigned to other MPPCs that applied or to any MPPC that successfully appeals a denial of approval.

- Beginning in 2008, the prequalification letter from DOC is effective for 24 months instead of 12 months. All references to re-qualification are removed and are no longer permitted.

Infrastructure Projects Income Tax Credit Program

- Beginning October 31, 2007 through December 31, 2010, DOC is required to certify motion picture infrastructure projects for income tax credit purposes. Infrastructure projects include soundstages and support and augmentation facilities.

- The maximum credit amount is 15 percent of the total base investment and the program credits are capped at the following amounts:

Soundstages	Associated Support & Augmentation Facilities
2008: $5 M	2008: $0
2009: $5 M	2009: $7 M if at least one soundstage project was certified in 2008
2010: $5 M	2010: $9 M if one or more soundstage projects were certified in 2008 or 2009

- The maximum credit for each separate support and augmentation facility is capped at $3 million.

- The applicant is the person who owns and operates the infrastructure project. Qualification provisions are prescribed.

- Minimum expenditure requirements to qualify for the for infrastructure projects are:
  - ➢ *For soundstages*:
    - $250,000 in Arizona within 90 days of pre-approval.
    - An additional $1 million in Arizona within 12 months of pre-approval.
    - A total of at least $5 million in Arizona within 36 months of pre-approval.

- *For support and augmentation facilities*:
  - $250,000 in Arizona within 90 days of pre-approval.
  - A total of $1 million in Arizona within 36 months of pre-approval.

- DOC will approve applications in the same manner as the approval for motion picture productions.

- The applicant must submit a report to DOC listing the activities and productions conducted at the project in the 12 months following post-approval, including any changes or improvements and the amount of any additional capital investments. If the company fails to report, they may be disqualified from receiving future tax credits.

- If a person that receives a tax credit fails to comply with any provisions within 60 months of post-approval, then DOC shall terminate the credit approval and require the credits to be recaptured, along with a penalty.

- DOR will administer the new individual and corporate income tax credits for infrastructure projects under the existing caps for motion picture productions.

- DOR shall not allow tax credits for any taxpayer who has a delinquent tax balance or that would exceed the aggregate caps.

- The credits are subject to the same requirements as the motion picture production credits, including the requirements for a credit to be transferred.

- Provides a purpose clause for the credits and adds the credits to the income tax credit review schedule for 2010.

- Defines terms associated with this new credit.

Commercial Advertisements & Music Video Production Companies

- Beginning with the 2008 income tax credit allocation, requires DOC to set aside 5 percent of the income tax credit amount for commercial advertisements and music video productions.

- DOC must review requests for commercials and music videos qualification within 15 business days (instead of 30 days for movie productions).

- Exempts commercials and music videos from the requirement to submit a script and instead requires a synopsis or story board.

- Within 60 days of filing the application, if the production company is approved for a given production, it must notify and provide documentation to DOC of the total amount of eligible production costs. The production company may apply for qualification before the minimum threshold is reached, however, income tax credits will not be approved until the eligible production expenses reach the threshold within 12 months.

- Allows still photography used in a national or international print media to qualify as a commercial advertisement.

- Requires DOC to adopt rules for qualifying commercial advertisements and music video productions for tax incentives and to prescribe necessary forms and procedures.

Television Series

- Exempts television series from the script requirement, except for a pilot program, and replaces it with a requirement for a synopsis of the general nature of the series.

- Requires the disclosure of the intended distribution or broadcast medium, including specific channels if known.

Motion Picture Production Companies (MPPC)

- Clarifies that only a MPPC that has the lawful right to produce any given production is eligible to apply for tax incentives.

- An application is void and tax incentives are rescinded if the MPPC does not begin production within 90 days (instead of 4 months) of pre-approval. The MPPC must also provide documentation of either:
    - Expenditures of at least 10 percent of its total budget or $250,000.
    - A completion bond for the production was pre-approved. The completion bond must be equal to the estimated total budget of the production and defines *completion bond.*

- If a pre-approved MPPC fails to begin production as required and does not voluntarily relinquish the unused credit amounts, then all signatories to the pre-approval application are disqualified for 3 years from participation in any production that applies for and receives tax incentives.

- Allows a MPPC to apply for approval to DOC before a viewable copy of the production is available if they submit a letter of credit with their application. The letter of credit must be payable to DOR.

Managed Audit Agreements

- Allows DOR to enter into a limited managed audit agreement with a MPPC or the applicant to certify the amount of production costs or the base investment for infrastructure projects and confirm the amount of credit allocated by DOC.

- If DOR accepts the limited managed audit and the MPPC or applicant files a timely Arizona income tax return with a claim to the credits, the credit amount is not subject to recapture, disallowance, reduction or denial.

- DOR will issue a Notice of Determination stating the amount of the credit and that it is not subject to recapture. The determination is valid for the MPPC, the applicant or any transferee of the credit.

- The limited managed audit agreement must be paid for by the MPPC or applicant and be conducted by an independent certified public accountant.

- The income tax credits may only be recaptured if the MPPC or applicant failed to disclose material information during the audit or falsified records.

Miscellaneous

- Defines *commercial advertisement, music video* and *televisions series*.

- Modifies the current definition of *motion picture* to exclude any locally broadcast television productions, including news, weather, sports, games shows, etc.

- Modifies the definition of *motion picture production company* to include a production company, including production of commercial advertisements and music videos.

- Requires DOC to contain in its annual report on motion picture production credits the name of each MPPC or applicant and the amount of income tax credits pre-approved and approved for each production or infrastructure project.

- Subject to legislative authorization, allows $180,000 of the income tax credit amount each year to be allocated to DOC for up to 2 FTEs dedicated solely to the administration of the motion picture and infrastructure credits. Provides session law for the authorization of this amount for FY 2007-2008. If the program terminates, the 2 new positions for this program are also terminated.

<u>HB 2515 – Chapter 276 – *municipal sales tax incentives; prohibition</u>

Beginning January 1, 2008, prohibits a municipality located entirely within a metropolitan statistical area with more than 2 million persons, from offering tax incentives to retail business facilities as an inducement or in exchange for locating or relocating to their city or town.

Tax Incentives

- Defines tax incentive to include any waiver, exemption, deduction, credit, rebate, discount, deferral or other abatement or reduction of the normal municipal tax liability of an individual taxpayer.

- Exempts, from penalty, the following municipal tax incentives:
  - Services and benefits generally afforded to all new businesses and that do not affect municipal tax levies.
  - Incentives already afforded to retail businesses currently located in the city or town.
  - Incentives given to retail businesses locating in redevelopment areas where the residents earn less than the average household income in the city as determined by the U.S. Census Bureau.
  - Incentives for public infrastructure features that are controlled and owned by a city, town, county or state or a private utility where no other political subdivision provides the utility.
  - Incentives offered for preserving historical buildings and other structures.
  - Incentives offered for the cleanup or other remediation activities at a brownfields site defined in statute.
  - Incentives that are referred to a vote before July 1, 2007.

- Specifies that the exempt tax incentives must be offered in exchange for expenses incurred by the business in the form of a reimbursement not exceeding the actual cost incurred by the business.

DOR and State Treasurer

- Requires the municipality to report to the DOR the value of any tax incentive, whether actual, realized or contingent, offered to a retail business facility. Establishes a penalty, in the amount of the tax incentive offered, to any municipality that violates this law.

- Requires DOR to notify the State Treasurer to withhold the amount of the penalty from monies paid to the city or town under TPT state shared revenues.

- Requires the State Treasurer to withhold monies for 60 months until the entire penalty is paid. The State Treasurer may not withhold monies that the city certifies as necessary to make required deposits or payments for debt service on bonds or other long-term obligations that were issued or incurred before the prohibited tax incentive.

HB 2627 – Chapter 188 – *prime contracting; property owners

Retroactive to January 8, 1991, calculates gross proceeds of sale or gross income for the purpose of establishing the prime contracting TPT liability of a property owner who has entered into a contract for sale as follows:

   - If the contract for sale specifies the amounts to be paid to the original owner for modifications prior to the transfer of the title, those amounts are included in the gross proceeds of sale or gross income. Proceeds unrelated to modifications which are received after the title transfer are not considered part of the contract.
   - Amounts received by the original owner for modifications as agreed to in a separate contract are included in the gross proceeds of sale or gross income.
   - Amounts received by the original owner after the transfer of title are considered part of the gross proceeds of sale or gross income related to the modifications unless the owner can provide evidence to the contrary.
   - Stipulates the tax base of the original owner is the same as a prime contractor.

- Requires claims for refunds to be submitted to DOR by December 31, 2007. Requires that the aggregate amount of refunds may not exceed $10,000 and provides instructions for issuing refunds.

HB 2657 – Chapter 203 – property tax; electric generation valuation

Revises the method for valuing the land used by an electric generation facility.

- Retroactive to December 31, 2006, eliminates the requirement for the county assessor to value the land used by an electric generation facility and stipulates that the land value is the cost to the current owner.

- Defines *electric generation facility* to include all land, buildings and personal property that is used for the generation of electric power.

HB 2784 – Chapter 258 – *2007 tax reduction package

Provides the following tax reductions and incentives:

College Savings Plans

- Beginning in 2008 through December 31, 2012, provides an individual income tax subtraction for contributions to any 529 College Savings Plan that were not deducted from federal adjusted gross income. The maximum amount a taxpayer can subtract in any year is $1500 for married filing joint or $750 for single or head of household.

- Requires non-qualifying withdrawals to be added back to Arizona income.

Business Personal Property

- Personal property that is initially classified after the 2007 tax year will be subject to a new accelerated depreciation table as follows:

Year of Assessment	Current Percent of Scheduled Depreciated Value	New Percent of Scheduled Depreciated Value
First Year	35%	30%
Second Year	51%	46%
Third Year	67%	62%
Forth Year	83%	78%
Fifth Year	DOR depreciation schedule	94%
Sixth Year	DOR depreciation schedule	DOR depreciation schedule

Class One Property

- Accelerates the remaining phase-down of the assessment ratio from 25 percent to 20 percent for class 1 properties from 8 years to 4 years by allowing a decrease of one percent per year and eliminating the one-half percent adjustments.

Military Relief Fund

- Establishes the Military Relief Fund (MRF), consisting of private donations, grants, bequests and other monies, under the Department of Veteran's Services through December 31, 2013 for the purpose of providing financial assistance to family members of Arizona military personnel injured or killed during their service.

- Establishes the Military Relief Advisory Committee and instructs the committee to establish an application process and criteria for the use of MRF monies, review and evaluate applications and make other recommendations as necessary.

- Requires assistance to be based on financial need. Widows and widowers may apply for a stipend to cover qualified living expenses for up to 6 months following the end of military pay and death benefits. Spouses and minor children of injured personnel may apply for a stipend to cover living expenses, including travel and housing expenses, for up to 6 months near a military or veteran's hospital or rehabilitation center where the person is being treated.

- Allows the Director to allocate up to 5 percent of the MRF monies at the beginning of each fiscal year to administer the fund and financial assistance program and requires the Director to provide an audit, conducted by an independent certified public accountant, of the fund by March 31 of each year and submit a certified copy of the audit to the Auditor General.

- Requires the Director to receive private donations to the Fund and issue receipts.

- Beginning in 2008 through December 31, 2012, creates a new individual income tax credit for donations to the MRF, capped at $1M on a first-come first serve basis. Qualifying donations will be designated on the donation receipt and a copy will be sent to DOR.

- Specifies the maximum amount of the credit as the lowest of the following amounts:
  - ➢ Total amount of contributions to the MRF during that taxable year.
  - ➢ $200 for a single taxpayer or $400 for a married couple filing joint.
  - ➢ The taxpayer's tax liability after applying all other allowable credits.

- Provides a one-time appropriation of $100,000 from the state General Fund to the MRF for the 2008 fiscal year.

- Places the individual income tax credit on the income tax credit review schedule in 2012.

- Repeals the MRF after December 31, 2013 and requires any remaining monies to be deposited to the Veteran's Donation Fund.

NBA All-Star TPT Exemption

- Provides a TPT exemption for admission sales to the 2009 NBA All-Star game and other related events with a conditional enactment that requires the City of Phoenix to provide a municipal TPT exemption for the same events if it is chosen as the host city.

SB 1036 – Chapter 132 – tax liabilities; suspension

Directs the DOR to extend any due date and suspend the associated penalties and interest, for up to one year, for a taxpayer affected by a Presidentially-declared disaster, military or terroristic action or state of emergency as declared by the Governor.

- Prohibits interest from accruing, for up to one year, on any unpaid tax for any affected taxpayer.

- Provides a definition for *affected taxpayer* and *covered area*.

SB 1157 – Chapter 1 [E] – *income tax deadlines

Establishes a standard procedure regarding income tax filing and payment deadlines and conforms Arizona tax statutes to the Internal Revenue Code (IRC).

- Retroactive to December 31, 2006, stipulates the filing or payment of income tax is considered timely filed on the next business day after a Saturday, Sunday or legal holiday if the original deadline falls on one of those days.

- Defines *legal holiday* to include legal holidays in the State of Arizona or as determined by the United States Secretary of the Treasury relating to due dates established by the IRC.

- Updates the definition of *internal revenue code* as follows:
  - Tax year 2007 includes all IRC provisions that were in effect as of January 1, 2007.
  - Tax year 2006 includes all IRC provisions passed with retroactive federal effective dates between December 31, 2005 and December 31, 2006.
  - Removes the definition of internal revenue code for tax year 1996.

SB 1195 – Chapter 193 – tax foreclosure sale; notice

Changes the requirements and process for the sale of land held by the state under a tax lien.

- Decreases the time period, from 4 weeks to at least 2, but not more than 3 weeks, for which a BOS must publish a list and notice of sale of state-deeded property for sale.

- Removes the requirement to post the list and notice of sale in a public place within 3 miles of each parcel for sale.

- Eliminates the requirement to continuously post a current list and notice of sale at the county sheriff's office and at the county courthouse.

- Requires the newspaper that prints the list and notice of sale to also publish that list on a website that posts the legal notices of at least 10 Arizona newspapers.

- Permits the sale to take place over the internet with on-line bidding in a real-time live auction.

SB 1233 – Chapter 160 – recomputation of tax; final determination
Provides a statutory definition of *final determination* for the purpose of adjusting Arizona gross income to reflect changes in federal taxable income.

- Retroactive to December 31, 2006, defines *final determination* as the point when both parties have exhausted their appeal rights relative to the tax year in question.

- Stipulates that a partial agreement, closing agreements, jeopardy or advance payment assessment is part of the final determination and must be submitted to DOR.

- Specifies that partial, closing or other IRS agreements that would be final except for flow through adjustments are considered as a final determination when the taxpayer signs the agreement.

- Clarifies that flow through adjustments are finally determined when appeal rights have been exhausted.

SB 1553 – Chapter 104 – county assessors; procedures
Modifies the appeals process for agricultural land classification and changes the valuation determination for land splits or consolidations that result from a government action.

- Allows a property owner to appeal the assessor's decision regarding the approval or disapproval of an agricultural classification directly to court.

- Requires the assessor to notify a property owner of the disapproval of an agricultural classification within 120 days of the application.

- Specifies that the limited property value of a parcel that is split, subdivided or consolidated as the result of the actions of a government entity shall not change for the valuation year if the change will result in an increase in value.

SB 1554 – Chapter 37 – *board of equalization; hearing officers
Raises the maximum per diem compensation, from $150 to $300, for hearing officers employed by the State Board of Equalization.

SB 1592 – Chapter 174 – contractors; violations; sales tax
Increases penalties for a contractor who is convicted of a license violation and sentenced to a probationary period as follows:

- Requires the court that sentences a person to a contract license violation to order the person to pay all state and local TPT and use taxes associated with the act or omission that constituted the violation.

- The license violations include committing a wrongful or fraudulent act that results in another person being substantially injured; aiding or abetting a licensed or unlicensed contractor to evade licensing requirements or acting as a contractor without a license.

- Authorizes the DOR to release confidential tax information to the prosecutor for purposes of sentencing the contractor license violations.